

**THE OFFICE OF REGULATORY STAFF**  
**SURREBUTTAL TESTIMONY**  
**OF**  
**CHRISTINA A. STUTZ**  
**JULY 6, 2010**



**DOCKET NO. 2009-473-WS**

**Application of Tega Cay Water Service,  
Incorporated for Adjustment of Rates and  
Charges**

**SURREBUTTAL TESTIMONY OF CHRISTINA A. STUTZ**

**FOR**

**THE OFFICE OF REGULATORY STAFF**

**DOCKET NO: 2009-473-WS**

**IN RE: APPLICATION OF TEGA CAY WATER SERVICE, INCORPORATED**

**FOR ADJUSTMENT OF RATES AND CHARGES**

**Q. HAVE YOU PRE-FILED DIRECT TESTIMONY ON BEHALF OF THE  
SOUTH CAROLINA OFFICE OF REGULATORY STAFF (“ORS”) IN  
THIS PROCEEDING?**

**A.** Yes. I pre-filed direct testimony reflecting ORS findings in this proceeding on June 8, 2010.

**Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

**A.** The purpose of my surrebuttal testimony is to respond on behalf of ORS to the issues raised in the Tega Cay Water Service, Inc. (“TCWS”) rebuttal testimony filed by Steve Lubertozzi on June 30, 2010.

**Q. WHAT IS ORS’S POSITION REGARDING RATE CASE EXPENSES?**

**A.** ORS included only known and measurable rate case expenses as of March 1, 2010 in the direct testimony and exhibits. Since that time, ORS has received documentation for additional rate case expenses of \$4,000. As of June 30, 2010, ORS has verified documented rate case expenses of \$75,588 associated with this rate proceeding.



1     **A.**             Yes. Adjustments were made to accumulated depreciation as reflected in  
2             Adjustment 28. Additionally, ORS proposes to remove (\$10,352) for chemicals  
3             associated with the operations and maintenance of the retired chlorinator/de-  
4             chlorinator system as shown in Adjustment 9.

5     **Q.     DOES ORS PROPOSE ANY ADDITIONAL ADJUSTMENTS?**

6     **A.**             Fall-out adjustments affected by the above changes included depreciation,  
7             income taxes, cash working capital, and interest expense. These adjustments are  
8             reflected in the surrebuttal exhibits.

9     **Q.     DO YOU AGREE WITH MR. LUBERTOZZI THAT USE OF THE**  
10            **NATIONAL     ASSOCIATION     OF     REGULATORY     UTILITY**  
11            **COMMISSIONERS (“NARUC”) UNIFORM SYSTEM OF ACCOUNTS**  
12            **(“USOA”) ACCOUNT NUMBERING SCHEME IS OPTIONAL?**

13    **A.**             Yes. ORS agrees that according to the accounting instructions for Class B  
14            Water and Wastewater Utilities, “Each utility may adopt such scheme of account  
15            numbers as it deems appropriate; provided, however, that it shall keep readily  
16            available a list of the account numbers and subdivisions of accounts which it uses  
17            and a reconciliation of such account numbers...” ORS was provided with a  
18            reconciliation of the accounts after the examination was completed. While the  
19            Company has the option to use another numbering system, it is very important to  
20            be able to reconcile the accounts provided in the Company’s application to the  
21            NARUC USOA. ORS requests that the Company be required to file the account  
22            reconciliation with its future rate applications. It should also be noted that the



**Tega Cay Water Service, Inc.**  
**Docket No. 2009-473-WS**  
**Operating Experience, Rate Base and Rates of Return**  
**For the Test Year Ended December 31, 2008**  
**Combined Operations**

| <u>Description</u>                     | (1)<br>Application<br>Per<br>Books<br>\$ | (2)<br>Accounting<br>&<br>Pro Forma<br>Adjustments<br>\$ | (3)<br>After<br>Accounting &<br>Pro Forma<br>Adjustments<br>\$ | (4)<br>Applicant's<br>Proposed<br>Increase<br>\$ | (5)<br>After<br>Applicant's<br>Proposed<br>Increase<br>\$ |
|--|--|--|--|--|---|
| <b><u>Operating Revenues:</u></b>      |  |  |  |  |   |
| Service Revenues - Water               | 366,602                                  | (1,074) (A)  | 365,528  | 79,902 (CC)                                      | 445,430   |
| Service Revenues - Sewer               | 736,879                                  | 3,331 (A)  | 740,210  | 159,160 (CC)                                     | 899,370   |
| Miscellaneous Revenues                 | 24,252                                   | 3,420 (B)  | 27,672   | 1,541 (DD)                                       | 29,213  |
| Uncollectible Accounts                 | (7,790)                                  | 5,679 (C)  | (2,111)  | (456) (EE)                                       | (2,567)   |
| <b><u>Total Operating Revenues</u></b> | <b><u>1,119,943</u></b>                  | <b><u>11,356</u></b>                                     | <b><u>1,131,299</u></b>  | <b><u>240,147</u></b>                            | <b><u>1,371,446</u></b>                                   |
| <b><u>Maintenance Expenses:</u></b>    |  |  |  |  |   |
| Salaries and Wages                     | 195,275                                  | (16,910) (D)   | 178,365  | 0  | 178,365   |
| Purchased Power                        | 54,879                                   | 0 (E)  | 54,879   | 0  | 54,879  |
| Purchased Sewer & Water                | (84,298)                                 | 80,152 (F)   | (4,146)  | 0  | (4,146)   |
| Maintenance and Repair                 | 230,065                                  | 13,813 (G)   | 243,878  | 0  | 243,878   |
| Maintenance Testing                    | 37,380                                   | (16,092) (H)   | 21,288   | 0  | 21,288  |
| Chemicals                              | 23,313                                   | (10,352) (I)   | 12,961   | 0  | 12,961  |
| Transportation                         | 37,915                                   | (13,899) (J)   | 24,016   | 0  | 24,016  |
| Operating exp. Charged to Plant        | (52,642)                                 | (1,267) (K)  | (53,909)   | 0  | (53,909)  |
| Outside Services - Other               | 26,089                                   | (492) (L)  | 25,597   | 0  | 25,597  |
| <b>Total</b>                           | <b><u>467,976</u></b>                    | <b><u>34,953</u></b>                                     | <b><u>502,929</u></b>  | <b><u>0</u></b>                                  | <b><u>502,929</u></b>                                     |
| <b><u>General Expenses:</u></b>        |  |  |  |  |   |
| Salaries and Wages                     | 105,000                                  | (43,540) (M)   | 61,460   | 0  | 61,460  |
| Office Supplies & Other Office Exp.    | 40,311                                   | (1,272) (N)  | 39,039   | 0  | 39,039  |
| Regulatory Commission Exp.             | 54,588                                   | (39,470) (O)   | 15,118   | 0  | 15,118  |
| Pension & Other Benefits               | 62,718                                   | 3,554 (P)  | 66,272   | 0  | 66,272  |
| Insurance                              | 27,675                                   | 0  | 27,675   | 0  | 27,675  |
| Office Utilities                       | 24,678                                   | (592) (Q)  | 24,086   | 0  | 24,086  |
| Miscellaneous                          | 18,198                                   | (1,444) (R)  | 16,754   | 0  | 16,754  |
| <b>Total</b>                           | <b><u>333,168</u></b>                    | <b><u>(82,764)</u></b>                                   | <b><u>250,404</u></b>  | <b><u>0</u></b>                                  | <b><u>250,404</u></b>                                     |
| Depreciation                           | 291,862                                  | (49,468) (S)   | 242,394  | 0  | 242,394   |
| Taxes Other Than Income                | 90,701                                   | 21,670 (T)   | 112,371  | 2,304 (FF)                                       | 114,675   |
| Deferred Income Taxes - State & Fed    | (22,833)                                 | 0  | (22,833)   | 0  | (22,833)  |
| Income Taxes - State & Fed             | 2,411                                    | 7,133 (U)  | 9,544  | 90,973 (GG)                                      | 100,517   |
| Amortization of CIAC                   | (173,350)                                | 43,120 (V)   | (130,230)  | 0  | (130,230)   |
| <b>Total</b>                           | <b><u>188,791</u></b>                    | <b><u>22,455</u></b>                                     | <b><u>211,246</u></b>  | <b><u>93,277</u></b>                             | <b><u>304,523</u></b>                                     |
| <b><u>Total Operating Expenses</u></b> | <b><u>989,935</u></b>                    | <b><u>(25,356)</u></b>                                   | <b><u>964,579</u></b>  | <b><u>93,277</u></b>                             | <b><u>1,057,856</u></b>                                   |
| <b><u>Total Operating Income</u></b>   | <b><u>130,008</u></b>                    | <b><u>36,712</u></b>                                     | <b><u>166,720</u></b>  | <b><u>146,870</u></b>                            | <b><u>313,590</u></b>                                     |
| Less: Interest During Construction     | (24,894)                                 | 24,894 (W)   | 0  | 0  | 0   |
| <b><u>Net Income for Return</u></b>    | <b><u>154,902</u></b>                    | <b><u>11,818</u></b>                                     | <b><u>166,720</u></b>  | <b><u>146,870</u></b>                            | <b><u>313,590</u></b>                                     |
| <b><u>Original Cost Rate Base:</u></b> |  |  |  |  |   |
| Gross Plant in Service                 | 12,472,631                               | 1,576,334 (X)  | 14,048,965   | 0  | 14,048,965  |
| Accumulated Depreciation               | (3,601,952)                              | 148,467 (Y)  | (3,453,485)  | 0  | (3,453,485)   |
| Net Plant in Service                   | 8,870,679                                | 1,724,801  | 10,595,480   | 0  | 10,595,480  |
| Cash Working Capital                   | 111,480                                  | (17,313) (Z)   | 94,167   | 0  | 94,167  |
| Contributions in Aid of Construction   | (6,326,120)                              | (43,120) (AA)  | (6,369,240)  | 0  | (6,369,240)   |
| Accumulated Deferred Income Taxes      | (616,840)                                | 0  | (616,840)  | 0  | (616,840)   |
| Customer Deposits                      | (51,227)                                 | 0  | (51,227)   | 0  | (51,227)  |
| <b>Total Rate Base</b>                 | <b><u>1,987,972</u></b>                  | <b><u>1,664,368</u></b>                                  | <b><u>3,652,340</u></b>  | <b><u>0</u></b>                                  | <b><u>3,652,340</u></b>                                   |
| <b><u>Return on Rate Base</u></b>      | <b><u>7.79%</u></b>                      |  | <b><u>4.56%</u></b>  |  | <b><u>8.59%</u></b>                                       |
| <b><u>Operating Margin</u></b>         | <b><u>1.08%</u></b>                      |  | <b><u>3.38%</u></b>  |  | <b><u>13.50%</u></b>                                      |
| <b><u>Interest Expense</u></b>         | <b><u>142,758</u></b>                    | <b><u>(14,276) (BB)</u></b>                              | <b><u>128,482</u></b>  |  | <b><u>128,482</u></b>                                     |

**Tega Cay Water Service, Inc.**  
**Docket No. 2009-473-WS**  
**Operating Experience, Rate Base and Rates of Return**  
**For the Test Year Ended December 31, 2008**  
**Water Operations**

| <u>Description</u>                     | (1)<br>Application<br>Per<br>Books<br>\$ | (2)<br>Accounting<br>&<br>Pro Forma<br>Adjustments<br>\$ | (3)<br>After<br>Accounting &<br>Pro Forma<br>Adjustments<br>\$ | (4)<br>Applicant's<br>Proposed<br>Increase<br>\$ | (6)<br>After<br>Applicant's<br>Proposed<br>Increase<br>\$ |
|--|--|--|--|--|---|
| <b><u>Operating Revenues:</u></b>      |  |  |  |  |   |
| Service Revenues - Water               | 366,602                                  | (1,074) (A)  | 365,528  | 79,902 (CC)                                      | 445,430   |
| Miscellaneous Revenues                 | 8,057                                    | 8,090 (B)  | 16,147   | 519 (DD)   | 16,666  |
| Uncollectible Accounts                 | (2,588)                                  | 1,894 (C)  | (694)  | (152) (EE)                                       | (846)   |
| <b>Total Operating Revenues</b>        | <b>372,071</b>                           | <b>8,910</b>   | <b>380,981</b>   | <b>80,269</b>                                    | <b>461,250</b>  |
| <b><u>Maintenance Expenses:</u></b>    |  |  |  |  |   |
| Salaries and Wages                     | 98,295                                   | (8,513) (D)  | 89,782   | 0  | 89,782  |
| Purchased Power                        | 6,595                                    | 0 (E)  | 6,595  | 0  | 6,595   |
| Purchased Water                        | (84,298)                                 | 80,152 (F)   | (4,146)  | 0  | (4,146)   |
| Maintenance and Repair                 | 43,734                                   | 6,953 (G)  | 50,687   | 0  | 50,687  |
| Maintenance Testing                    | 22,413                                   | (8,101) (H)  | 14,312   | 0  | 14,312  |
| Chemicals                              | 11,735                                   | 0 (I)  | 11,735   | 0  | 11,735  |
| Transportation                         | 19,085                                   | (6,995) (J)  | 12,090   | 0  | 12,090  |
| Operating exp. Charged to Plant        | (26,498)                                 | (640) (K)  | (27,138)   | 0  | (27,138)  |
| Outside Services - Other               | 13,132                                   | (248) (L)  | 12,884   | 0  | 12,884  |
| <b>Total</b>                           | <b>104,193</b>                           | <b>62,608</b>  | <b>166,801</b>   | <b>0</b>   | <b>166,801</b>  |
| <b><u>General Expenses:</u></b>        |  |  |  |  |   |
| Salaries and Wages                     | 52,854                                   | (21,918) (M)   | 30,936   | 0  | 30,936  |
| Office Supplies & Other Office Exp.    | 20,291                                   | (640) (N)  | 19,651   | 0  | 19,651  |
| Regulatory Commission Exp.             | 27,478                                   | (19,869) (O)   | 7,609  | 0  | 7,609   |
| Pension & Other Benefits               | 31,570                                   | 1,789 (P)  | 33,359   | 0  | 33,359  |
| Insurance                              | 13,931                                   | 0  | 13,931   | 0  | 13,931  |
| Office Utilities                       | 12,422                                   | (298) (Q)  | 12,124   | 0  | 12,124  |
| Miscellaneous                          | 9,160                                    | (727) (R)  | 8,433  | 0  | 8,433   |
| <b>Total</b>                           | <b>167,706</b>                           | <b>(41,663)</b>  | <b>126,043</b>   | <b>0</b>   | <b>126,043</b>  |
| Depreciation                           | 81,853                                   | (17,395) (S)   | 64,458   | 0  | 64,458  |
| Taxes Other Than Income                | 42,653                                   | 9,100 (T)  | 51,753   | 770 (FF)   | 52,523  |
| Deferred Income Taxes - State & Fed    | (7,586)                                  | 0  | (7,586)  | 0  | (7,586)   |
| Income Taxes - State & Fed             | 801                                      | (8,079) (U)  | (7,278)  | 30,407 (GG)                                      | 23,129  |
| Amortization of CIAC                   | (42,933)                                 | 10,646 (V)   | (32,287)   | 0  | (32,287)  |
| <b>Total</b>                           | <b>74,788</b>                            | <b>(5,728)</b>   | <b>69,060</b>  | <b>31,177</b>                                    | <b>100,237</b>  |
| <b>Total Operating Expenses</b>        | <b>346,687</b>                           | <b>15,217</b>  | <b>361,904</b>   | <b>31,177</b>                                    | <b>393,081</b>  |
| <b>Total Operating Income</b>          | <b>25,384</b>                            | <b>(6,307)</b>   | <b>19,077</b>  | <b>49,092</b>                                    | <b>68,169</b>   |
| Less: Interest During Construction     | (5,079)                                  | 5,079 (W)  | 0  | 0  | 0   |
| <b>Net Income for Return</b>           | <b>30,463</b>                            | <b>(11,386)</b>  | <b>19,077</b>  | <b>49,092</b>                                    | <b>68,169</b>   |
| <b><u>Original Cost Rate Base:</u></b> |  |  |  |  |   |
| Gross Plant in Service                 | 2,653,429                                | 581,256 (X)  | 3,234,685  | 0  | 3,234,685   |
| Accumulated Depreciation               | (740,755)                                | 81,568 (Y)   | (659,187)  | 0  | (659,187)   |
| Net Plant in Service                   | 1,912,674                                | 662,824  | 2,575,498  | 0  | 2,575,498   |
| Cash Working Capital                   | 39,319                                   | (2,713) (Z)  | 36,606   | 0  | 36,606  |
| Contributions in Aid of Construction   | (1,576,239)                              | (10,646) (AA)  | (1,586,885)  | 0  | (1,586,885)   |
| Accumulated Deferred Income Taxes      | (338,729)                                | 0  | (338,729)  | 0  | (338,729)   |
| Customer Deposits                      | (25,786)                                 | 0  | (25,786)   | 0  | (25,786)  |
| <b>Total Rate Base</b>                 | <b>11,239</b>                            | <b>649,465</b>   | <b>660,704</b>   | <b>0</b>   | <b>660,704</b>  |
| <b>Return on Rate Base</b>             | <b>271.05%</b>                           |  | <b>2.89%</b>   |  | <b>10.32%</b>   |
| <b>Operating Margin</b>                | <b>0.43%</b>                             |  | <b>-1.09%</b>  |  | <b>9.74%</b>  |
| <b>Interest Expense</b>                | <b>28,852</b>                            | <b>(5,610) (BB)</b>                                      | <b>23,242</b>  |  | <b>23,242</b>   |

**Tega Cay Water Service, Inc.**  
**Docket No. 2009-473-WS**  
**Operating Experience, Rate Base and Rates of Return**  
**For the Test Year Ended December 31, 2008**  
**Sewer Operations**

| <u>Description</u>                     | (1)<br>Application<br>Per<br>Books<br>\$ | (2)<br>Accounting<br>&<br>Pro Forma<br>Adjustments<br>\$ | (3)<br>After<br>Accounting &<br>Pro Forma<br>Adjustments<br>\$ | (4)<br>Applicant's<br>Proposed<br>Increase<br>\$ | (6)<br>After<br>Applicant's<br>Proposed<br>Increase<br>\$ |
|--|--|--|--|--|---|
| <b><u>Operating Revenues:</u></b>      |  |  |  |  |   |
| Service Revenues - Sewer               | 736,879                                  | 3,331 (A)  | 740,210  | 159,160 (CC)                                     | 899,370   |
| Miscellaneous Revenues                 | 16,195                                   | (4,670) (B)  | 11,525   | 1,022 (DD)                                       | 12,547  |
| Uncollectible Accounts                 | (5,202)                                  | 3,785 (C)  | (1,417)  | (304) (EE)                                       | (1,721)   |
| <b>Total Operating Revenues</b>        | <b>747,872</b>                           | <b>2,446</b>   | <b>750,318</b>   | <b>159,878</b>                                   | <b>910,196</b>  |
| <b><u>Maintenance Expenses:</u></b>    |  |  |  |  |   |
| Salaries and Wages                     | 96,980                                   | (8,397) (D)  | 88,583   | 0  | 88,583  |
| Purchased Power                        | 48,284                                   | 0 (E)  | 48,284   | 0  | 48,284  |
| Purchased Sewer & Water                | 0  | 0 (F)  | 0  | 0  | 0   |
| Maintenance and Repair                 | 186,331                                  | 6,860 (G)  | 193,191  | 0  | 193,191   |
| Maintenance Testing                    | 14,967                                   | (7,991) (H)  | 6,976  | 0  | 6,976   |
| Chemicals                              | 11,578                                   | (10,352) (I)   | 1,226  | 0  | 1,226   |
| Transportation                         | 18,830                                   | (6,904) (J)  | 11,926   | 0  | 11,926  |
| Operating exp. Charged to Plant        | (26,144)                                 | (627) (K)  | (26,771)   | 0  | (26,771)  |
| Outside Services - Other               | 12,957                                   | (244) (L)  | 12,713   | 0  | 12,713  |
| <b>Total</b>                           | <b>363,783</b>                           | <b>(27,655)</b>  | <b>336,128</b>   | <b>0</b>   | <b>336,128</b>  |
| <b><u>General Expenses:</u></b>        |  |  |  |  |   |
| Salaries and Wages                     | 52,146                                   | (21,622) (M)   | 30,524   | 0  | 30,524  |
| Office Supplies & Other Office Exp.    | 20,020                                   | (632) (N)  | 19,388   | 0  | 19,388  |
| Regulatory Commission Exp.             | 27,110                                   | (19,601) (O)   | 7,509  | 0  | 7,509   |
| Pension & Other Benefits               | 31,148                                   | 1,765 (P)  | 32,913   | 0  | 32,913  |
| Insurance                              | 13,744                                   | 0  | 13,744   | 0  | 13,744  |
| Office Utilities                       | 12,256                                   | (294) (Q)  | 11,962   | 0  | 11,962  |
| Miscellaneous                          | 9,038                                    | (717) (R)  | 8,321  | 0  | 8,321   |
| <b>Total</b>                           | <b>165,462</b>                           | <b>(41,101)</b>  | <b>124,361</b>   | <b>0</b>   | <b>124,361</b>  |
| Depreciation                           | 210,009                                  | (32,073) (S)   | 177,936  | 0  | 177,936   |
| Taxes Other Than Income                | 48,048                                   | 12,570 (T)   | 60,618   | 1,534 (FF)                                       | 62,152  |
| Deferred Income Taxes - State & Fed    | (15,247)                                 | 0  | (15,247)   | 0  | (15,247)  |
| Income Taxes - State & Fed             | 1,610                                    | 15,212 (U)   | 16,822   | 60,566 (GG)                                      | 77,388  |
| Amortization of CIAC                   | (130,417)                                | 32,474 (V)   | (97,943)   | 0  | (97,943)  |
| <b>Total</b>                           | <b>114,003</b>                           | <b>28,183</b>  | <b>142,186</b>   | <b>62,100</b>                                    | <b>204,286</b>  |
| <b>Total Operating Expenses</b>        | <b>643,248</b>                           | <b>(40,573)</b>  | <b>602,675</b>   | <b>62,100</b>                                    | <b>664,775</b>  |
| <b>Total Operating Income</b>          | <b>104,624</b>                           | <b>43,019</b>  | <b>147,643</b>   | <b>97,778</b>                                    | <b>245,421</b>  |
| Less: Interest During Construction     | (19,815)                                 | 19,815 (W)   | 0  | 0  | 0   |
| <b>Net Income for Return</b>           | <b>124,439</b>                           | <b>23,204</b>  | <b>147,643</b>   | <b>97,778</b>                                    | <b>245,421</b>  |
| <b><u>Original Cost Rate Base:</u></b> |  |  |  |  |   |
| Gross Plant in Service                 | 9,819,202                                | 995,078 (X)  | 10,814,280   | 0  | 10,814,280  |
| Accumulated Depreciation               | (2,861,197)                              | 66,899 (Y)   | (2,794,298)  | 0  | (2,794,298)   |
| Net Plant in Service                   | 6,958,005                                | 1,061,977  | 8,019,982  | 0  | 8,019,982   |
| Cash Working Capital                   | 72,161                                   | (14,600) (Z)   | 57,561   | 0  | 57,561  |
| Contributions in Aid of Construction   | (4,749,881)                              | (32,474) (AA)  | (4,782,355)  | 0  | (4,782,355)   |
| Accumulated Deferred Income Taxes      | (278,111)                                | 0  | (278,111)  | 0  | (278,111)   |
| Customer Deposits                      | (25,441)                                 | 0  | (25,441)   | 0  | (25,441)  |
| <b>Total Rate Base</b>                 | <b>1,976,733</b>                         | <b>1,014,903</b>   | <b>2,991,636</b>   | <b>0</b>   | <b>2,991,636</b>  |
| <b>Return on Rate Base</b>             | <b>6.30%</b>                             |  | <b>4.94%</b>   |  | <b>8.20%</b>  |
| <b>Operating Margin</b>                | <b>1.41%</b>                             |  | <b>5.65%</b>   |  | <b>15.40%</b>   |
| <b>Interest Expense</b>                | <b>113,906</b>                           | <b>(8,666) (BB)</b>                                      | <b>105,240</b>   |  | <b>105,240</b>  |



**Tega Cay Water Service, Inc.**  
**Docket No. 2009-473-WS**  
**Explanation of Accounting and Pro Forma Adjustments**  
**For the Test Year Ended December 31, 2008**

| Description   | \$<br>Combined<br>Operations | \$<br>Water<br>Operations | \$<br>Sewer<br>Operations |
|---|------------------------------|---------------------------|---------------------------|
| <b><u>Accounting and Pro forma Adjustments</u></b>  |                              |                           |                           |
| <b><u>Operating Revenues</u></b>  |                              |                           |                           |
| <b>(A) Service Revenues</b>   |                              |                           |                           |
| 1 To adjust service revenues to reflect test year customer billings.  |                              |                           |                           |
| Per ORS   | 2,257                        | (1,074)                   | 3,331                     |
| Per TCWS  | (954)                        | (3,938)                   | 2,984                     |
| <b>(B) Miscellaneous Revenues</b>   |                              |                           |                           |
| 2 To adjust miscellaneous revenues to reflect an increase in late payment charges and account for revenue received by a third party vendor. |                              |                           |                           |
| Per ORS   | 3,420                        | 8,090                     | (4,670)                   |
| Per TCWS  | 0                            | 0                         | 0                         |
| <b>(C) Uncollectible Accounts</b>   |                              |                           |                           |
| 3 To adjust uncollectible accounts to reflect accounting and pro forma adjustments to service revenues.                                     |                              |                           |                           |
| Per ORS   | 5,679                        | 1,894                     | 3,785                     |
| Per TCWS  | (7,767)                      | (5,243)                   | (2,524)                   |
| <b><u>Maintenance Expenses</u></b>  |                              |                           |                           |
| <b>(D) Salaries &amp; Wages</b>   |                              |                           |                           |
| 4 To annualize operators' salaries for the test year.   |                              |                           |                           |
| Per ORS   | (16,910)                     | (8,513)                   | (8,397)                   |
| Per TCWS  | (40,714)                     | (20,494)                  | (20,220)                  |
| <b>(E) Purchased Power</b>  |                              |                           |                           |
| 5 ORS does not propose to adjust for inflation.   |                              |                           |                           |
| Per ORS   | 0                            | 0                         | 0                         |
| Per TCWS  | 3,122                        | 375                       | 2,747                     |
| <b>(F) Purchased Sewer &amp; Water</b>  |                              |                           |                           |
| 6 To adjust purchased water for a 2007 accrual and a 2007 payment booked in the test year.  |                              |                           |                           |
| Per ORS   | 80,152                       | 80,152                    | 0                         |
| Per TCWS  | 80,152                       | 80,152                    | 0                         |

**Tega Cay Water Service, Inc.**  
**Docket No. 2009-473-WS**  
**Explanation of Accounting and Pro Forma Adjustments**  
**For the Test Year Ended December 31, 2008**

| Description  | \$<br>Combined<br>Operations | \$<br>Water<br>Operations | \$<br>Sewer<br>Operations |
|--|------------------------------|---------------------------|---------------------------|
| <b>(G) Maintenance and Repair</b>  |                              |                           |                           |
| 7 To adjust maintenance and repair expense to include items from plant that should have been expensed during the test year and remove the deferred maintenance account per Order No. 2006-582. ORS does not propose to adjust for inflation. |                              |                           |                           |
| Per ORS  | 13,813                       | 6,953                     | 6,860                     |
| Per TCWS   | (5,305)                      | (6,771)                   | 1,466                     |
| <b>(H) Maintenance Testing</b>   |                              |                           |                           |
| 8 To adjust maintenance testing expense to remove pass-through DHEC fees and undocumented expenses and to reflect actual billed DHEC amounts for operating permits.  |                              |                           |                           |
| Per ORS  | (16,092)                     | (8,101)                   | (7,991)                   |
| Per TCWS   | (8,169)                      | (4,112)                   | (4,057)                   |
| <b>(I) Chemicals</b>   |                              |                           |                           |
| 9 ORS does not propose to adjust for inflation.  |                              |                           |                           |
| Per ORS  | (10,352)                     | 0                         | (10,352)                  |
| Per TCWS   | 1,327                        | 668                       | 659                       |
| <b>(J) Transportation</b>  |                              |                           |                           |
| 10 To adjust for allocated transportation expenses including fuel and auto repairs. ORS does not propose to adjust for inflation.  |                              |                           |                           |
| Per ORS  | (13,899)                     | (6,995)                   | (6,904)                   |
| Per TCWS   | (4,136)                      | (2,082)                   | (2,054)                   |
| <b>(K) Operating Expenses Charged to Plant</b>   |                              |                           |                           |
| 11 To adjust operating expense charged to plant (capitalized time) for actual salary expenses and associated taxes and benefits.   |                              |                           |                           |
| Per ORS  | (1,267)                      | (640)                     | (627)                     |
| Per TCWS   | (6,997)                      | (3,522)                   | (3,475)                   |
| <b>(L) Outside Services - Other</b>  |                              |                           |                           |
| 12 To adjust outside service expenses for removal of undocumented expenses.  |                              |                           |                           |
| Per ORS  | (492)                        | (248)                     | (244)                     |
| Per TCWS   | 0                            | 0                         | 0                         |

**Tega Cay Water Service, Inc.**  
**Docket No. 2009-473-WS**  
**Explanation of Accounting and Pro Forma Adjustments**  
**For the Test Year Ended December 31, 2008**

| Description  | \$<br>Combined<br>Operations | \$<br>Water<br>Operations | \$<br>Sewer<br>Operations |
|--|------------------------------|---------------------------|---------------------------|
| <b><u>General Expenses</u></b>   |                              |                           |                           |
| <b>(M) Salaries &amp; Wages</b>  |                              |                           |                           |
| 13 To annualize office salaries for the test year.   |                              |                           |                           |
| Per ORS  | (43,540)                     | (21,918)                  | (21,622)                  |
| Per TCWS   | (23,393)                     | (11,775)                  | (11,618)                  |
| <b>(N) Office Supplies &amp; Other Office Expense</b>  |                              |                           |                           |
| 14 To remove nonallowable amounts for awards, flowers, and miscellaneous items from office supplies and other office expenses. ORS does not propose to adjust for inflation. |                              |                           |                           |
| Per ORS  | (1,272)                      | (640)                     | (632)                     |
| Per TCWS   | 2,294                        | 1,155                     | 1,139                     |
| <b>(O) Regulatory Commission Expense</b>   |                              |                           |                           |
| 15 To amortize rate case expenses over a five-year period.   |                              |                           |                           |
| Per ORS  | (39,470)                     | (19,869)                  | (19,601)                  |
| Per TCWS   | 30,796                       | 15,502                    | 15,294                    |
| <b>(P) Pension &amp; Other Benefits</b>  |                              |                           |                           |
| 16 To annualize pension and other benefits associated with the adjusted test year salaries.  |                              |                           |                           |
| Per ORS  | 3,554                        | 1,789                     | 1,765                     |
| Per TCWS   | 4,804                        | 2,418                     | 2,386                     |
| <b>(Q) Office Utilities</b>  |                              |                           |                           |
| 17 To adjust office utilities for undocumented expenses. ORS does not propose to adjust for inflation.   |                              |                           |                           |
| Per ORS  | (592)                        | (298)                     | (294)                     |
| Per TCWS   | 1,404                        | 707                       | 697                       |
| <b>(R) Miscellaneous</b>   |                              |                           |                           |
| 18 To adjust miscellaneous expense for undocumented expenses, penalties, and other nonallowables.  |                              |                           |                           |
| Per ORS  | (1,444)                      | (727)                     | (717)                     |
| Per TCWS   | 0                            | 0                         | 0                         |
| <b>(S) Depreciation Expense</b>  |                              |                           |                           |
| 19 To annualize depreciation expense for known and measurable plant in service.  |                              |                           |                           |
| Per ORS  | (49,468)                     | (17,395)                  | (32,073)                  |
| Per TCWS   | (90,781)                     | (22,241)                  | (68,540)                  |

**Tega Cay Water Service, Inc.**  
**Docket No. 2009-473-WS**  
**Explanation of Accounting and Pro Forma Adjustments**  
**For the Test Year Ended December 31, 2008**

| Description  | \$<br>Combined<br>Operations | \$<br>Water<br>Operations | \$<br>Sewer<br>Operations |
|--|------------------------------|---------------------------|---------------------------|
| <b>(T) Taxes Other Than Income</b>   |                              |                           |                           |
| 20 To adjust payroll taxes associated with the adjusted test year salaries.  |                              |                           |                           |
| Per ORS  | (7,415)                      | (3,733)                   | (3,682)                   |
| Per TCWS   | (6,917)                      | (3,482)                   | (3,435)                   |
| 21 To adjust gross receipts and utility/commission taxes after the accounting and pro forma adjustments using a factor of .0095919 (.003 for SCDOR and .0065919 for PSC/ORS ). |                              |                           |                           |
| Per ORS  | (6,694)                      | (5,178)                   | (1,516)                   |
| Per TCWS   | (9,773)                      | (722)                     | (9,051)                   |
| 22 To adjust personal property, general, and real estate taxes to reflect actual test year amounts.  |                              |                           |                           |
| Per ORS  | 35,779                       | 18,011                    | 17,768                    |
| Per TCWS   | 35,779                       | 18,011                    | 17,768                    |
| Total Per ORS  | 21,670                       | 9,100                     | 12,570                    |
| <b>(U) Income Taxes</b>  |                              |                           |                           |
| 23 To adjust state and federal income taxes after accounting and pro forma adjustments. See Audit Exhibit CAS-6.   |                              |                           |                           |
| Per ORS  | 7,133                        | (8,079)                   | 15,212                    |
| Per TCWS   | (6,266)                      | (21,189)                  | 14,923                    |
| <b>(V) Amortization of Contributions in Aid of Construction (CIAC)</b>   |                              |                           |                           |
| 24 To annualize the amortization of CIAC expense.  |                              |                           |                           |
| Per ORS  | 43,120                       | 10,646                    | 32,474                    |
| Per TCWS   | 43,120                       | 10,646                    | 32,474                    |
| <b>(W) Interest During Construction (IDC)</b>  |                              |                           |                           |
| 25 To eliminate IDC for rate making purposes. Construction work in progress was not included in rate base; therefore, IDC is eliminated as an addition to net income.          |                              |                           |                           |
| Per ORS  | 24,894                       | 5,079                     | 19,815                    |
| Per TCWS   | 24,894                       | 5,079                     | 19,815                    |

**Tega Cay Water Service, Inc.**  
**Docket No. 2009-473-WS**  
**Explanation of Accounting and Pro Forma Adjustments**  
**For the Test Year Ended December 31, 2008**

| Description  | \$<br>Combined<br>Operations | \$<br>Water<br>Operations | \$<br>Sewer<br>Operations |
|--|------------------------------|---------------------------|---------------------------|
| <b>(X) Gross Plant in Service</b>  |                              |                           |                           |
| 26 To adjust gross plant in service for net additions documented as of December 31, 2009, remove items incorrectly capitalized, and remove plant to be paid for by third parties.  |                              |                           |                           |
| Per ORS  | 1,575,067                    | 580,616                   | 994,451                   |
| Per TCWS   | 639,205                      | 340,735                   | 298,470                   |
| 27 To capitalize salaries, taxes, and benefits associated with Operating Expenses Charged to Plant.  |                              |                           |                           |
| Per ORS  | 1,267                        | 640                       | 627                       |
| Per TCWS   | 0                            | 0                         | 0                         |
| Total Per ORS  | <u>1,576,334</u>             | <u>581,256</u>            | <u>995,078</u>            |
| <b>(Y) Accumulated Depreciation</b>  |                              |                           |                           |
| 28 To reduce accumulated depreciation for pro forma plant retirements, items incorrectly capitalized, and plant to be paid by third party, as well as, adjust for depreciation for vehicles, computers, and general plant. |                              |                           |                           |
| Per ORS  | <u>148,467</u>               | <u>81,568</u>             | <u>66,899</u>             |
| Per TCWS   | <u>382,435</u>               | <u>44,427</u>             | <u>338,008</u>            |
| <b>(Z) Cash Working Capital</b>  |                              |                           |                           |
| 29 To adjust cash working capital after accounting and pro forma adjustments. See Audit Exhibit CAS-7.   |                              |                           |                           |
| Per ORS  | <u>(17,313)</u>              | <u>(2,713)</u>            | <u>(14,600)</u>           |
| Per TCWS   | <u>6,785</u>                 | <u>7,729</u>              | <u>(944)</u>              |
| <b>(AA) Contributions in Aid of Construction (CIAC)</b>  |                              |                           |                           |
| 30 To adjust CIAC to reflect the amortization of CIAC expense as a result of ORS Adjustment 24.  |                              |                           |                           |
| Per ORS  | <u>(43,120)</u>              | <u>(10,646)</u>           | <u>(32,474)</u>           |
| Per TCWS   | <u>(43,120)</u>              | <u>(10,646)</u>           | <u>(32,474)</u>           |
| <b>(BB) Interest Expense</b>   |                              |                           |                           |
| 31 To adjust interest on debt using a 53.30% and 46.70% debt to equity ratio and 6.60% cost of debt. ORS computed allowable interest expense after accounting and pro forma adjustments. See Audit Exhibit CAS-8.          |                              |                           |                           |
| Per ORS  | <u>(14,276)</u>              | <u>(5,610)</u>            | <u>(8,666)</u>            |
| Per TCWS   | <u>(38,172)</u>              | <u>(15,011)</u>           | <u>(23,161)</u>           |

**Tega Cay Water Service, Inc.**  
**Docket No. 2009-473-WS**  
**Explanation of Accounting and Pro Forma Adjustments**  
**For the Test Year Ended December 31, 2008**

| Description   | \$<br>Combined<br>Operations | \$<br>Water<br>Operations | \$<br>Sewer<br>Operations |
|---|------------------------------|---------------------------|---------------------------|
| <b><u>Proposed Increase</u></b>   |                              |                           |                           |
| <b>(CC) Service Revenues</b>  |                              |                           |                           |
| 32 To adjust water and sewer service revenues for ORS's recalculation of the Company's proposed rate increase.  |                              |                           |                           |
| Per ORS   | 239,062                      | 79,902                    | 159,160                   |
| Per TCWS  | 239,002                      | 79,390                    | 159,612                   |
| <b>(DD) Miscellaneous Revenues</b>  |                              |                           |                           |
| 33 To adjust miscellaneous revenues for ORS's recalculation of the Company's proposed rate increase.  |                              |                           |                           |
| Per ORS   | 1,541                        | 519                       | 1,022                     |
| Per TCWS  | 0                            | 0                         | 0                         |
| <b>(EE) Uncollectible Accounts</b>  |                              |                           |                           |
| 34 To adjust for uncollectible accounts associated with the Company's proposed rate increase.   |                              |                           |                           |
| Per ORS   | (456)                        | (152)                     | (304)                     |
| Per TCWS  | (3,381)                      | (1,714)                   | (1,667)                   |
| <b>(FF) Taxes Other Than Income</b>   |                              |                           |                           |
| 35 To adjust gross receipts and utility/commission taxes associated with the Company's proposed increase using a factor of .0095919 (.003 for SCDOR and .0065919 for PSC/ORS ). |                              |                           |                           |
| Per ORS   | 2,304                        | 770                       | 1,534                     |
| Per TCWS  | 2,689                        | 893                       | 1,796                     |
| <b>(GG) Income Taxes</b>  |                              |                           |                           |
| 36 To adjust state and federal income taxes associated with the Company's proposed increase. See Audit Exhibit CAS-6.   |                              |                           |                           |
| Per ORS   | 90,973                       | 30,407                    | 60,566                    |
| Per TCWS  | 86,883                       | 28,640                    | 58,243                    |

**Tega Cay Water Service, Inc.**  
**Docket No. 2009-473-WS**  
**Depreciation and Amortization Expense Adjustment**  
**For the Test Year Ended December 31, 2008**

|   | <u>Combined<br/>Operations</u><br>\$ | <u>Water<br/>Operations</u><br>\$ | <u>Sewer<br/>Operations</u><br>\$ |
|---|--------------------------------------|-----------------------------------|-----------------------------------|
| <b><u>Depreciation Adjustment</u></b>             |                                      |                                   |                                   |
| Gross Plant @ 12/31/08                            | 12,472,631                           | 2,653,429                         | 9,819,202                         |
| Add:  |                                      |                                   |                                   |
| Net Plant Additions Adjustment @ 12/31/09         | 1,575,067                            | 580,616                           | 994,451                           |
| Capitalized Time from Wages Adjustment @ 12/31/08 | 1,267                                | 640                               | 627                               |
| Less:   |                                      |                                   |                                   |
| Organization @ 12/31/08                           | (244,495)                            | (123,079)                         | (121,416)                         |
| Land @ 12/31/08                                   | (11,036)                             | (5,556)                           | (5,480)                           |
| Vehicles @ 12/31/08                               | (63,879)                             | (32,157)                          | (31,722)                          |
| Computers @ 12/31/08                              | (282,879)                            | (142,401)                         | (140,478)                         |
| <b><u>Net Plant</u></b>                           | <b>13,446,676</b>                    | <b>2,931,492</b>                  | <b>10,515,184</b>                 |
| Plant Depreciation @ 1.5% (66.67 years)           | <u>201,701</u>                       | <u>43,973</u>                     | <u>157,728</u>                    |
| <b><u>Vehicles @ 12/31/08</u></b>                 | <b>63,879</b>                        | <b>32,157</b>                     | <b>31,722</b>                     |
| Less: Fully Depreciated Vehicles                  | <u>(14,503)</u>                      | <u>(7,301)</u>                    | <u>(7,202)</u>                    |
|   | 49,376                               | 24,856                            | 24,520                            |
| Vehicle Depreciation @ 16.67% (6 years)           | <u>8,230</u>                         | <u>4,143</u>                      | <u>4,087</u>                      |
| <b><u>Computers @ 12/31/08</u></b>                | <b>282,879</b>                       | <b>142,401</b>                    | <b>140,478</b>                    |
| Less: Fully Depreciated Computers                 | <u>(23,177)</u>                      | <u>(11,667)</u>                   | <u>(11,510)</u>                   |
|   | 259,702                              | 130,734                           | 128,968                           |
| Computer Depreciation @ 12.5% (8 years)           | <u>32,463</u>                        | <u>16,342</u>                     | <u>16,121</u>                     |
| Total Depreciation                                | <u>242,394</u>                       | <u>64,458</u>                     | <u>177,936</u>                    |
| Less: Per Books Depreciation                      | <u>291,862</u>                       | <u>81,853</u>                     | <u>210,009</u>                    |
| <b><u>ORS Adjustment</u></b>                      | <b><u>(49,468)</u></b>               | <b><u>(17,395)</u></b>            | <b><u>(32,073)</u></b>            |
| Company's Adjustment                              | <u>(90,781)</u>                      | <u>(22,241)</u>                   | <u>(68,540)</u>                   |
| <b><u>Amortization of CIAC Adjustment</u></b>     |                                      |                                   |                                   |
| Gross CIAC @ 12/31/08                             | (8,681,968)                          | (2,152,450)                       | (6,529,518)                       |
| CIAC Amortization @ 1.5% (66.67 years)            | (130,230)                            | (32,287)                          | (97,943)                          |
| Less: Per Books Amortization of CIAC              | <u>(173,350)</u>                     | <u>(42,933)</u>                   | <u>(130,417)</u>                  |
| <b><u>ORS Adjustment</u></b>                      | <b><u>43,120</u></b>                 | <b><u>10,646</u></b>              | <b><u>32,474</u></b>              |
| Company's Adjustment                              | <u>43,120</u>                        | <u>10,646</u>                     | <u>32,474</u>                     |

**Tega Cay Water Service, Inc.**  
**Docket No. 2009-473-WS**  
**Computation of Income Taxes**  
**For the Test Year Ended December 31, 2008**

| <b>After Accounting &amp; Pro Forma Adjustments</b> |   |  |  |
|---|---|--|--|
|   | <b>\$</b><br><b>Combined</b><br><b>Operations</b> | <b>\$</b><br><b>Water</b><br><b>Operations</b> | <b>\$</b><br><b>Sewer</b><br><b>Operations</b> |
| Operating Revenues                                  | 1,131,299   | 380,981  | 750,318  |
| Operating Expenses                                  | <u>977,868</u>                                    | <u>376,768</u>                                 | <u>601,100</u>                                 |
| Net Operating Income Before Taxes                   | 153,431   | 4,213  | 149,218  |
| Less: Annualized Interest Expense                   | <u>128,482</u>                                    | <u>23,242</u>                                  | <u>105,240</u>                                 |
| Taxable Income - State                              | 24,949  | (19,029)                                       | 43,978   |
| State Income Tax %                                  | <u>5.0%</u>                                       | <u>5.0%</u>                                    | <u>5.0%</u>                                    |
| State Income Taxes                                  | 1,248   | (951)  | 2,199  |
| Less: State Income Taxes Per Book                   | <u>(5,855)</u>                                    | <u>(1,945)</u>                                 | <u>(3,910)</u>                                 |
| <b>Adjustment to State Income Taxes</b>             | <b><u>7,103</u></b>                               | <b><u>994</u></b>                              | <b><u>6,109</u></b>                            |
| Taxable Income - Federal                            | 23,701  | (18,078)                                       | 41,779   |
| Federal Income Taxes %                              | <u>35.0%</u>                                      | <u>35.0%</u>                                   | <u>35.0%</u>                                   |
| Federal Income Taxes                                | 8,296   | (6,327)  | 14,623   |
| Less: Federal Income Taxes Per Book                 | <u>8,266</u>                                      | <u>2,746</u>                                   | <u>5,520</u>                                   |
| <b>Adjustment to Federal Income Taxes</b>           | <b><u>30</u></b>                                  | <b><u>(9,073)</u></b>                          | <b><u>9,103</u></b>                            |
| <b>Total Adjustment to Income Taxes</b>             | <b><u>7,133</u></b>                               | <b><u>(8,079)</u></b>                          | <b><u>15,212</u></b>                           |
| <b>After Applicant's Proposed Increase</b>          |   |  |  |
|   | <b>\$</b><br><b>Combined</b><br><b>Operations</b> | <b>\$</b><br><b>Water</b><br><b>Operations</b> | <b>\$</b><br><b>Sewer</b><br><b>Operations</b> |
| Operating Revenues                                  | 1,371,446   | 461,250  | 910,196  |
| Operating Expenses                                  | <u>980,172</u>                                    | <u>377,538</u>                                 | <u>602,634</u>                                 |
| Net Operating Income Before Taxes                   | 391,274   | 83,712   | 307,562  |
| Less: Annualized Interest Expense                   | <u>128,482</u>                                    | <u>23,242</u>                                  | <u>105,240</u>                                 |
| Taxable Income - State                              | 262,792   | 60,470   | 202,322  |
| State Income Tax %                                  | <u>5.0%</u>                                       | <u>5.0%</u>                                    | <u>5.0%</u>                                    |
| State Income Taxes                                  | 13,139  | 3,023  | 10,116   |
| Less: State Income Taxes As Adjusted                | <u>1,248</u>                                      | <u>(951)</u>                                   | <u>2,199</u>                                   |
| <b>Adjustment to State Income Taxes</b>             | <b><u>11,891</u></b>                              | <b><u>3,974</u></b>                            | <b><u>7,917</u></b>                            |
| Taxable Income - Federal                            | 249,653   | 57,447   | 192,206  |
| Federal Income Taxes %                              | <u>35.0%</u>                                      | <u>35.0%</u>                                   | <u>35.0%</u>                                   |
| Federal Income Taxes                                | 87,378  | 20,106   | 67,272   |
| Less: Federal Income Taxes As Adjusted              | <u>8,296</u>                                      | <u>(6,327)</u>                                 | <u>14,623</u>                                  |
| <b>Adjustment to Federal Income Taxes</b>           | <b><u>79,082</u></b>                              | <b><u>26,433</u></b>                           | <b><u>52,649</u></b>                           |
| <b>Total Adjustment to Income Taxes</b>             | <b><u>90,973</u></b>                              | <b><u>30,407</u></b>                           | <b><u>60,566</u></b>                           |



**Audit Surrebuttal Exhibit CAS-7**

**Tega Cay Water Service, Inc.**  
**Docket No. 2009-473-WS**  
**Cash Working Capital Allowance**  
**For the Test Year Ended December 31, 2008**

| <u>After Accounting &amp; Pro Forma Adjustments</u>                                    | <u>\$<br/>Combined<br/>Operations</u> | <u>\$<br/>Water<br/>Operations</u> | <u>\$<br/>Sewer<br/>Operations</u> |
|--|---------------------------------------|------------------------------------|------------------------------------|
| Maintenance Expenses   | 502,929                               | 166,801                            | 336,128                            |
| General Expenses   | <u>250,404</u>                        | <u>126,043</u>                     | <u>124,361</u>                     |
| Total Expenses for Computation   | 753,333                               | 292,844                            | 460,489                            |
| Allowable Rate   | <u>12.50%</u>                         | <u>12.50%</u>                      | <u>12.50%</u>                      |
| Computed Cash Working Capital  | 94,167                                | 36,606                             | 57,561                             |
| Cash Working Capital - Application Per Books   | <u>111,480</u>                        | <u>39,319</u>                      | <u>72,161</u>                      |
| <b>Cash Working Capital Adjustment - ORS<br/>Accounting &amp; Pro Forma Adjustment</b> | <u><b>(17,313)</b></u>                | <u><b>(2,713)</b></u>              | <u><b>(14,600)</b></u>             |
| Cash Working Capital Adjustment - TCWS   | <u><u>6,785</u></u>                   | <u><u>7,729</u></u>                | <u><u>(944)</u></u>                |

Tega Cay Water Service, Inc.  
Docket No. 2009-473-WS  
Return on Equity  
Capital Structure at December 31, 2008

Combined Operations

| Description    | (Note)<br>Capital<br>Structure | Application Per Books |                         |                        | After Accounting and Pro forma Adjustments |              |                         |                        | After Applicant's Proposed Increase |              |                         |                        |
|----------------|--------------------------------|-----------------------|-------------------------|------------------------|--|--------------|-------------------------|------------------------|-------------------------------------|--------------|-------------------------|------------------------|
|                |                                | Rate<br>Base          | Embedded<br>Cost/Return | Overall<br>Cost/Return | Income<br>For<br>Return                    | Rate<br>Base | Embedded<br>Cost/Return | Overall<br>Cost/Return | Income<br>For<br>Return             | Rate<br>Base | Embedded<br>Cost/Return | Overall<br>Cost/Return |
| Long-Term Debt | \$ 180,000,000                 | 53.30%                | 6.60%                   | 3.52%                  | \$ 69,933                                  | \$ 1,946,697 | 6.60%                   | 3.52%                  | \$ 128,482                          | \$ 1,946,697 | 6.60%                   | 3.52%                  |
| Common Equity  | 157,737,014                    | 46.70%                | 9.15%                   | 4.27%                  | 84,969                                     | 1,705,643    | 2.24%                   | 1.04%                  | 38,238                              | 1,705,643    | 10.85%                  | 5.07%                  |
| Totals         | \$ 337,737,014                 | 100.00%               | 7.79%                   |                        | \$ 154,902                                 | \$ 3,652,340 |                         | 4.56%                  | \$ 166,720                          | \$ 3,652,340 |                         | 8.59%                  |

Water Operations

| Description    | Capital<br>Structure | Application Per Books |                         |                        | After Accounting and Pro forma Adjustments |              |                         |                        | After Applicant's Proposed Increase |              |                         |                        |
|----------------|----------------------|-----------------------|-------------------------|------------------------|--|--------------|-------------------------|------------------------|-------------------------------------|--------------|-------------------------|------------------------|
|                |                      | Rate<br>Base          | Embedded<br>Cost/Return | Overall<br>Cost/Return | Income<br>For<br>Return                    | Rate<br>Base | Embedded<br>Cost/Return | Overall<br>Cost/Return | Income<br>For<br>Return             | Rate<br>Base | Embedded<br>Cost/Return | Overall<br>Cost/Return |
| Long-Term Debt | \$ 180,000,000       | 53.30%                | 6.60%                   | 3.53%                  | \$ 395                                     | \$ 352,155   | 6.60%                   | 3.52%                  | \$ 23,242                           | \$ 352,155   | 6.60%                   | 3.52%                  |
| Common Equity  | 157,737,014          | 46.70%                | 572.83%                 | 267.52%                | 30,068                                     | 308,549      | -1.35%                  | -0.63%                 | (4,165)                             | 308,549      | 14.56%                  | 6.80%                  |
| Totals         | \$ 337,737,014       | 100.00%               | 271.05%                 |                        | \$ 30,463                                  | \$ 660,704   |                         | 2.89%                  | \$ 19,077                           | \$ 660,704   |                         | 10.32%                 |

Sewer Operations

| Description    | Capital<br>Structure | Application Per Books |                         |                        | After Accounting and Pro forma Adjustments |              |                         |                        | After Applicant's Proposed Increase |              |                         |                        |
|----------------|----------------------|-----------------------|-------------------------|------------------------|--|--------------|-------------------------|------------------------|-------------------------------------|--------------|-------------------------|------------------------|
|                |                      | Rate<br>Base          | Embedded<br>Cost/Return | Overall<br>Cost/Return | Income<br>For<br>Return                    | Rate<br>Base | Embedded<br>Cost/Return | Overall<br>Cost/Return | Income<br>For<br>Return             | Rate<br>Base | Embedded<br>Cost/Return | Overall<br>Cost/Return |
| Long-Term Debt | \$ 180,000,000       | 53.30%                | 6.60%                   | 3.52%                  | \$ 69,538                                  | \$ 1,594,542 | 6.60%                   | 3.52%                  | \$ 105,240                          | \$ 1,594,542 | 6.60%                   | 3.52%                  |
| Common Equity  | 157,737,014          | 46.70%                | 5.95%                   | 2.78%                  | 54,901                                     | 1,397,094    | 3.04%                   | 1.42%                  | 42,403                              | 1,397,094    | 10.03%                  | 4.68%                  |
| Totals         | \$ 337,737,014       | 100.00%               | 6.30%                   |                        | \$ 124,439                                 | \$ 2,991,636 |                         | 4.94%                  | \$ 147,643                          | \$ 2,991,636 |                         | 8.20%                  |

Audit Surrebuttal Exhibit CAS-8

Note: ORS used the capital structure of the parent company, Utilities, Inc.